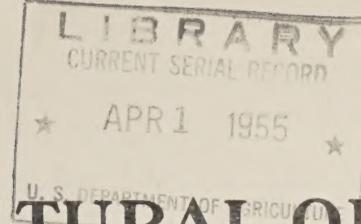


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# The AGRICULTURAL OUTLOOK DIGEST

AGRICULTURAL MARKETING SERVICE, U.S.D.A.

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Heavy buying by consumers and the continuing boom in construction of new homes are pacing the rise in economic activity.

Sales at retail stores in January totaled a tenth above a year earlier. Auto dealers showed the largest increase. Food sales were up 2%. Gains also were made for most other groups of commodities.

A rise in income to a new high supports the strong consumer market. Consumers also are using a little more credit than at this time last year.

Outlays for new homes in January were up a third from a year earlier. Value of new contracts awarded early this year were about two-fifths above the same time in 1954. Higher incomes, easier mortgage terms, the rising birth rate and shifts in population are stimulating the upsurge in home construction. Building of schools, churches and commercial structures also is increasing.

Consumers and the home builders contributed much to offsetting the effects of the decline in defense spending and business investment over the last year. The reduction in outlays for national defense is now tapering off. Not much additional decline is expected in investment. Expenditures by state and local governments are continuing upward.

Increased industrial activity abroad is widening the market for U. S. products. World demand for raw materials has strengthened. U. S. exports of farm products in the last half of 1954 totaled 10% above a year earlier.

Prices consumers pay for food are expected to hold at about the present level through 1955. Major changes in prospect are some increase over 1954 for eggs and poultry and perhaps for canned fruits and vegetables, but somewhat lower prices for rice and pork. Consumers probably will eat about the same amount of food per person as in 1954 and will spend about the same proportion of their income for it.

The consumer's food dollar is likely to be split between farmers and marketing agencies about the same way this year as in 1954 - 43 cents to the farmers, 57 cents to marketing agencies. The farmers share last year was 2 cents below 1953 and lowest of the postwar period.

FATS AND OILS: Record exports this year are expected to result in the first major reduction in stocks of food fats of the postwar period. However, when the 1954-55 marketing year ends next September 30, stocks still will be well above any year prior to 1953-54.

Increased shipments of soybeans, lard and cottonseed oil will account for the greater exports. Supplies of these products in other exporting countries are down and world prices have increased.

A new high of 9.8 billion pounds of food fats is expected to be produced in 1954-55. Lard and soybean oil output will be up but production of cotton oil and butter will be down.

LIVESTOCK: The number of cattle on farms rose for the sixth consecutive year during 1954, reaching a record 95,433,000 head on January 1. Gain of 646,000 was smallest since number

began to rise in 1949. Here are the changes for beef animals: Cows 2 years or older and heifers 1 to 2 years, up 1 percent; calves and steers up 2 percent and bulls down 3 percent. Among milk stock, heifers 1 to 2 years and cows 2 years and older declined 1 percent and heifer calves were up the same percentage.

The 55 million hogs and pigs on farms January 1 was 13 percent above the relatively low figure of a year earlier. The number of sheep and lambs dropped 1 percent to 30.9 million.

DAIRY PRODUCTS: Consumption of fluid milk has been increasing recently. Reasons: The special school milk program, slight retail price declines in some cities, higher consumer incomes. Use of fluid milk per person in 1955 probably will be up slightly from 1954; consumption of other items will be about the same.

One percent fewer milk cows and heifers 2 years old and over were on farms January 1 than a year earlier. With an average pasture season, they're expected to produce about as much milk as in 1954. Since total use will be up, the milk surplus this year probably will be smaller than in either 1953 or 1954.

POULTRY AND EGGS: Settings of eggs in broiler areas have been above a year earlier each week since January 22, pointing to increased broiler marketings this spring. The higher prices of recent weeks are mainly responsible.

Farmers plan to raise 18% fewer chickens for laying flock replacement than last year, according to their February intentions. Smaller hatch early this spring will mean fewer pullets laying eggs next fall.

FEEDS: Record stocks of feed grains were on hand January 1 - 12% more than a year earlier. Use of feed grains the rest of this season is expected to be somewhat heavier than in the same period of 1953-54. But stocks at the end of the season will be at least as large as last year's record carryover.

WHEAT: Exports totaled 121 million bushels in July-December, 1954, first half of the 1954-55 marketing year. This is 12 million bushels above shipments in the same period a year earlier. Total for 1954-55 is expected to be 250 million compared with 217 last year.

FRUIT: After getting off to a slow start early in the season, output of frozen orange concentrate has picked up. However, total through February 5 was nearly a fifth below last year.

VEGETABLES: Production of fresh vegetables this winter was estimated on February 1 to be down 7% from last winter. Freezes in Texas and Florida in mid-February reduced some crops and delayed harvest of others. Storage stocks of cabbage and onions on January 1 were much smaller than a year ago, though above average. Supplies of canned and frozen vegetables for the remainder of the marketing year are smaller than for the same months of 1953-54.

Prices of both potatoes and sweetpotatoes are well above a year earlier; are expected to continue so for a few months.

COTTON: Prices have fluctuated little so far this season. The 14 spot market average has ranged between a high of 34.90 cents per pound reached on September 24 and a low of 33.52 on November 22.

Exports of cotton totaled 1,626,000 bales from August 1 through December, 397,000 more than in the same period of 1953-54.

WOOL: Shorn wool production in the U. S. this year is likely to be about the same as in 1954 since number of stock sheep on farms January 1 was only slightly lower than a year earlier. Pulled wool production may be down because of prospects for a reduction in sheep and lamb slaughter.

TOBACCO: About one-third of the record 1954 Burley crop was placed under Government loan - more than in any other year. Prices for the crop averaged about 49.7 cents per pound, 5% lower than for 1953. Reduction in acreage allotment for 1955 crop is about 7%.